

SCOMM

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REPRESENTATIVE
BEN GRUSSENDORF

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STKA, ALASKA 99505
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RULES COMMITTEE
LEGISLATIVE COUNCIL

ROBERT S.
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STKA
TENANT

Alaska State Legislature



House of Representatives
SPEAKER OF THE HOUSE

MEMORANDUM

TO: Ms. Kris Grey
Chief Clerk

FROM: Rep. Ben Grussendorf
Speaker

DATE: May 24, 1991

RE: Task Force Appointments for 1991

I am appointing the following members to the Joint Committee on School Improvement created by House Concurrent Resolution 4:

Rep. Eileen P. MacLean
Rep. Cheri Davis
Rep. Bettye Davis
and Rep. Pat Carney, ex-officio

I am appointing the following members to the Task Force on Governmental Roles created by House Concurrent Resolution 17:

Rep. Ron Larson
Rep. Ivan Ivan

I am appointing the following members to the Health Resources and Access Task Force created by Senate Concurrent Resolution 10:

Rep. Johnny Ellis
Rep. Mike Navarre
Rep. Mark Boyer

I am appointing the following member to the Alaska Interagency Task Force on the Homeless established by Senate Bill 59:

Rep. Kay Brown

FILE IN JUNCAL
PO Box V
JUNEAU ALASKA 99901
(907) 465-0004
(907) 465-3720

Task Forces 91

HEALTH RESOURCES AND ACCESS TASK FORCE**SCR 10**

Rep. Johnny Ellis
Rep. Mike Navarre
Rep. Mark Boyer
Sen. Jay Kerttula
Sen. Virginia Collins
Sen. Jim Duncan
Commissioner Ted Mala
Commissioner Millet Keller
Commissioner Glen Ohls
Patricia O'Gorman
Mano Frey
Dr. Rodman Wilson
Jerry Mear
Paul Sherry
Sister Donna Taylor
Karen Perdue
1 vacancy

JOINT COMMITTEE ON SCHOOL IMPROVEMENT**HCR 4**

Rep. Eileen MacLean
Rep. Cheri Davis
Rep. Bettye Davis
Rep. Pat Carney (ex-officio)
Sen. Al Adams
Sen. Dick Shultz
Sen. Paul Fischer
Sen. Lloyd Jones (ex-officio)

TASK FORCE ON GOVERNMENTAL ROLES**HCR 17**

Rep. Ron Larson
Rep. Ivan Ivan
Sen. Arliss Sturgulewski
Sen. Steve Frank
Mark Begich
Commissioner Blatchford
Lemar Cotten
Larry Kinbell (AFN)
Caleb Pungowiwi
Kevin Ritchie
Lee Sharp
Shelby Stasny
Leo Rasmussen

Staff:
Mike Cushing
Brad Pierce

ALASKA INTERAGENCY TASK FORCE ON THE HOMELESS

AGENDA
JOINT COMMITTEE ON SCHOOL IMPROVEMENT
ANCHORAGE, ALASKA
SATURDAY, NOVEMBER 9, 1991
ANCHORAGE LEGISLATIVE INFORMATION OFFICE
8:00 a.m. - 5:00 p.m.

8:00 a.m. - 10:00 a.m.

Alaska 2000

Presentation by Commissioner Jerry Covey
Department of Education

School Foundation Formula

Dr. Nathaniel Cole, Education Consultant

Area Cost Differential

Eric McDowall, The McDowall Group

10:00 - 10:15 a.m.

Break

10:15 - 12:00 p.m.

Public Testimony

12:00 - 1:30 p.m.

Lunch Break

1:30 - 3:00 p.m.

Education Technology

Rep. Kay Brown

Year-Round Schools

Rep. Johnny Ellis

Alaska 2000 - Anchorage

Superintendent Thomas O'Rourke

3:00 - 3:10 p.m.

Break

3:10 - 5:00 p.m.

Review of Current Legislation

HB 23 - Revise Area Cost Differential

HB 53 - Increase State Education Aid

SB 25 - Increase Instructional Unit Value

SB 16 - Education Employee Collective Bargaining

HB 352 - Native language curriculum

SB 257 - Alaska studies curriculum

HCR 6 - Special Interagency Coordinating Committee
on Schools

Other Legislation for Discussion

Other Business

Professional Contracts

Funding for JCSI

Date of next JCSI meeting

5:00 p.m.

Meeting Adjourns

ALASKA 2000

An Education Initiative

■ OUTCOMES

To ensure that all children reach high performance standards, our educational outcomes must go beyond minimum skills for all grade levels. Our assessment system must measure students against standards, not against each other, and must:

- Define a basic education
- Accurately measure student abilities to think and perform
- Set state standards for graduation
- Inform parents and students of expectations
- Tie together standards for high school graduation and college entrance.

■ FINANCE

The state's present method of financing education is inadequate. It lacks accountability at the local level, requires increasing amounts of revenue from the state, and limits citizens' ability and responsibility to contribute financially. We can solve this by:

- Providing adequate funding from the state for a basic education
- Providing the opportunity for local districts to address their capital needs to a greater degree
- Expecting local districts to pay for any component of the educational program beyond the basic education.

■ QUALITY OF WORK FORCE

Our work force is aging, and not properly educated to meet student needs. We must:

- Provide alternative routes to certification for qualified professionals
 - full-time
 - part-time
- Increase our commitment to training existing work force
 - greater financial commitment
 - districts assuming responsibility for training
 - university assuming role for training
- Improve teacher education programs by
 - setting state standards for teacher certificates
 - competency testing for teachers.

■ SHARED DECISION-MAKING

Decisions on the goals and operations of school need to be shared to a greater degree with community and staff members. This can be accomplished by establishing:

- Partnerships with the private sector
- Advisory school boards in all communities with more than one school.

■ EARLY CHILDHOOD

We must address the needs of at risk children at an earlier age to prepare them for school success. This can be accomplished by:

- Including pre-school funding in the new education funding formula
- Integrating education and social delivery to pre-school students.

■ SELF RENEWAL

We must make a commitment to innovation and improvement in:

- Staff development
- Instructional delivery
- Organization and type of schools.

■ LAWS AND REGULATIONS

We need to systematically review education statutes and regulations and

- Eliminate unnecessary statutes and regulations
- Update statutes and regulations to meet current and future needs
- Limit curriculum mandates.

■ EFFICIENT OPERATION

This problem can be addressed by establishing:

- Standard financial reporting
- Computer tie-in of all school districts
- State funding of basic education only
- Adjusting regulations to promote improved management and operational procedures
- Implementation of report card law.

**JOINT COMMITTEE ON SCHOOL IMPROVEMENT
NOVEMBER 9, 1991
ANCHORAGE LEGISLATIVE INFORMATION OFFICE
8:00 A.M. - 5:00 P.M.**

MEMBERS PRESENT:

Senator Paul Fischer, Co-Chair
Representative Cheri Davis
Representative Pat Carney, Ex-officio

(Rep. Larry Baker also joined committee members for meeting)

MEMBERS ABSENT:

Representative Bettye Davis, Co-Chair
Senator Al Adams
Senator Dick Schultz,
Senator Lloyd Jones, Ex-Officio
Representative Eileen MacLean

WITNESS REGISTER:

Mr. Jerry Covey, Commissioner
Department of Education
P.O. Box F
Juneau, Alaska 99811
(907) 465-2800
Position Statement: Gave presentation regarding Alaska 2000

Dr. Nathaniel Cole
Education Consultant
P.O. Box 021581
Juneau, Alaska 99802
(907) 364-3103
Position Statement: Gave presentation regarding the School
Foundation Formula

Mr. Eric McDowall
The McDowall Group
128 Dixon
Juneau, Alaska 99801
(907) 536-6126
Position Statement: Gave presentation regarding the Area Cost
Differential

Mr. Don Oberg, President
NEA-Alaska
105 Municipal Way
Juneau, Alaska 99801
(907) 586-3090
Position Statement: Testified in favor of year-round schools,
and quality education in Alaska

Rep. Kay Brown
3111 C Street
Anchorage, Alaska 99503
(907) 561-7627

Position Statement: Gave presentation regarding Science and
Technology Education

Rep. Johnny Ellis
3111 C Street
Anchorage, Alaska 99503
(907) 561-7628

Position Statement: Gave presentation regarding Year-Round
Schools

Dr. Thomas O'Rourke, Superintendent
Anchorage School District
4600 Debarr Road
Anchorage, Alaska 99508
(907) 333-9561

Position Statement: Gave presentation regarding Alaska 2000 -
Anchorage

TAPED TESTIMONY
Number 000

Senator Paul Fischer called the meeting to order at 8:15 a.m., and invited JERRY COVEY, Commissioner of the Department of Education (DOE) to speak before the committee regarding Alaska 2000.

Commissioner Covey passed out a draft copy of the Alaska 2000 proposal, and gave a brief overview of the initiative. He stated that when he was hired at DOE, he met with the members of the State Board of Education in August 91 to discuss the concerns and problems in the educational system. Alaska 2000 was borne after speaking with educators, legislators, board members and teachers.

Number 128

Commissioner Covey explained that there would be a two-day public meeting within the next week at Elmendorf. 20 people from all aspects of the educational system would be invited. At the end of the two days, the group would address the Alaska 2000 plan and propose and make recommendations to the State Board of Education for a public education policy and action plan. The Board would then appoint a number of groups from all over the state to address each area individually and report back to the Board with their recommendations. The four key issues of Alaska 2000 are: outcomes, finance, facilities and accountability.

Rep. Carney wondered why Elmendorf was picked as the site for the meeting.

Commissioner Covey mentioned that there were no hotels or rooms available to accommodate the public for two days.

Rep. Carney was concerned that all schools in the state be treated equally regarding the amount of money the Alaska spends to support education.

Commissioner Covey stated that DOE's has a complex system and he believes there is a better way to address the issue of educational facilities. The old way of building school facilities has not worked, and the new system is designed to address those needs. People from urban and rural Alaska, municipalities, REAA's and single and dual site districts need to be brought into the process.

Number 287

Rep. Baker asked if it was DOE's intent to pattern Alaska 2000 after the America 2000 plan.

Commissioner Covey said that the America 2000 plan contained six major goals of President Bush in five core areas of learning, which should be included in Alaska's plan. a

He further stated that we need to look at other ways for funding education because the current foundation plan is inadequate. He advocated building into the foundation formula opportunities for preschool or early childhood education for school districts that do not have access to the Headstart program.

Sen. Fischer referred to page 4 of the Alaska 2000 plan relating to incentives and innovations. He asked for examples.

Commissioner Covey said DOE is looking for innovations in how schools are structured, the 180-day school year, how to structure facilities. He referred to the contract schools program in Minnesota where groups of people can petition a school board to take control of a school in the district, and have access to funding, facilities, etc. He pointed out that there is a request in DOE's budget for \$2.3 million dollars to provide grants to school districts for attempting to try some of those ideas.

NUMBER 338

Commissioner Covey addressed the need for choice for rural Alaska. Rural students should have options, and the only alternative today is to attend Mt. Edgecumbe School. He gave an example of using the boarding school program for 11th and 12th grade students in a small rural high school. By changing the funding mechanism, these students could be funded at the full level through the 10th grade. In the 11th and 12th

grade, the funding would be reduced to less than 1.0. The student would be placed on a correspondence-level of funding, or have the option of moving to another school, with a higher level of funding.

Sen. Fischer asked if private schools outside the state would be considered.

Commissioner Covey answered that his plan focuses on choices within the state, but the program should reflect the will of Alaskans.

NUMBER 392

Having visited the rural villages, Rep. Carney was concerned for those with no tax base.

Commissioner Covey suggested giving impact aid from the foundation program directly to the school districts. He felt that the way local contributions are figured needs to be reevaluated.

Rep. Cheri Davis agreed that the Mt. Edgecumbe school ~~it~~ is a great school, but she pointed out that the school receives more money than most schools and has an elite student body. A private school within the public system.

Number 436

Rep. Carney was not aware of the meeting scheduled for November 18 and 19 and wondered which legislators were invited.

Commissioner Covey stated that Reps. Bettye Davis, Georgiana Lincoln and Cheri Davis have been invited to attend the meeting.

Number 482

Senator Fischer invited DR. NATHANIEL COLE, Education Consultant, to speak before the committee regarding the school foundation formula.

Dr. Cole stated that there are over 100 communities in Alaska that cost approximately \$20,000 per pupil. He explained that when devising a new foundation formula, you must look at what resources will be necessary to offer the type of program needed for that area.

He explained that the instructional unit concept is supposed to offer all direct and indirect services necessary for an education to a group of one or more students.

When figuring out the foundation formula, you must determine how many units you will need for the regular K-12 students. Special consideration is given to whether there are students taking vocational courses, supplementary, bilingual or special education.

END OF TAPE 1, SIDE A

TAPE 1, SIDE B

Number 000

Dr. Cole explained that once basic need is established, you must figure out who will pay for it. Presently, cities and boroughs pay 4 mills based on their local property evaluation. In addition if there are P.L. 874 monies, 90% of those funds will be deducted from the entitlement, with the remainder to be paid for by the state. He further stated that the present program is not sufficient to fund basic need, causing local school districts to come up with more money to keep programs running. In fact, there are school districts that would like to contribute more money but are restricted by statute.

Number 042

Rep. Cheri Davis asked Dr. Cole to expand on the single/dual site issue.

Dr. Cole answered that there are problems with the single/dual sites. He mentioned that when he first developed the school foundation formula, he tried to develop the cost factors from the 3,500 size district to the smaller district. The single dual site districts were not given consideration for expensive overhead, administrative costs, which is where the problem lies. One possible solution would be to set up a separate formula which would address administrative costs of small school districts.

Rep. Cheri Davis addressed the complaints that there is too much administration in most districts. She wondered if there was a way to build into the formula a percentage that would allow school districts to be paid for a specific percentage of administrative costs.

Dr. Cole stated that a schedule could be set up strictly for administrative costs. However, when dealing with local districts with tax bases, the districts could tax themselves and spend more for administrative costs.

Number 155

Sen. Fischer stated that his district did not mind paying more for education. He asked if there was a specific cap given by the federal government regarding local contribution.

Dr. Cole said that there was not a maximum amount. The federal government looks at the amount of money spent on the general education program. Certain programs such as pupil transportation, vocational and special education are excluded because taking care of those students costs more money. The adjusted amount is divided by the number of pupils.

He explained if a district is so wealthy that 4 mill would exceed 35% of their prior year's basic need, they need only contribute the 35 percent. This concept distorts the equalization issue. As a result, rich districts are able to get by with putting in less money and receive more state money than other districts with less wealth.

Sen. Fischer asked if there was a way to allow the Matsu Borough or the Kenai Peninsula Borough to contribute more money for education.

Dr. Cole said no. The problem is that a lot of the local money that goes into education falls outside of the equalization program because it exceeds 4 mills.

Number 273

Rep. Cheri Davis wondered if the districts would receive the remainder of the \$40 million P.L. 874 monies.

Dr. Cole said that the districts get all of the P.L. 874 money, although the federal government requires a portion of the money to be used for areas with heavy Indian impact and special education. If the state takes 90% of the remainder, the school district is left with 10% to do their job.

Dr. Cole further explained that if the IUV rate was raised, districts with little or no tax base would reap the benefits more than other districts.

Rep. Cheri Davis felt that Anchorage could contribute more local funds than it has in the past.

Dr. Cole explained that the the program was established in 1988 from 1986 property evaluation of \$19.6 billion. Since then, the loss of property amount has dropped to \$10 billion. As the property value dropped, Anchorage was required to put in less money locally, and the state picked up the remainder.

Number 358

Sen. Fischer thanked Dr. Cole for his testimony and invited MR. ERIC MCDOWALL of the McDowall Group to give his presentation regarding Area Cost Differential.

Mr. McDowall gave background on a recent study entitled Alaska School District's Profiles and Differentials, which was commissioned in 1983 by the Legislative Budget and Audit Committee. He explained the Area Cost Differential is the difference in prices between locations in Alaska.

Mr. McDowall stated that the previous differentials in statute were based on an ancient household cost of living study. The legislature decided to do a comparison study regarding the cost of operating school districts and make it the basis for the area cost differential. The study was broken into two parts: school districts' operating budgets that are funded by the foundation formula and have personnel and non-personnel components, and rural districts, which tend to be almost entirely non-personnel costs. In Anchorage, 80% of the foundation formula is for personnel costs. In the Aleutian district, only 59% is spent on personnel, with the other 41% used for operating costs.

The basis for the majority of costs for personnel is the 1985 Alaska Geographic Differential Study, where 25 households and 2100 retail outlets in Alaska and Seattle were surveyed to determine what households spent their money on and what type of services and prices retailers offered. Once completed, differentials were established for 19 election districts in Alaska. The study was broken into 53 school districts to come up with individual cost of living differences for each district.

Mr. McDowall mentioned that the study focused on non-personnel cost such as books, audio/visual equipment, insurance, utilities, travel, etc.

Number 454

Sen. Fischer asked if the subsidization for power services was considered.

Mr. McDowall stated that if the power rate was subsidized, only the amount that was actually paid by the district was considered in the study.

Number 534

Mr. McDowall emphasized that all districts fell into four general classifications. The cost of living and the cost of operating schools in urban Alaska is about the same, and there is no reason to have an area cost differential. Small urban areas connected by road (Nenana, Valdez, Matsu) has a moderately higher differential. The remote rural areas are divided into three categories: rural southeast, the Aleutians to Fort Yukon, and the extreme North.

In closing, he recommended looking at the cost of living and the economy changes in the near future.

Rep. Cheri Davis asked about a cost of living survey in the Ketchikan newspaper. Anchorage was 120% higher than the national average, with Ketchikan averaging at 150 percent. She was unclear on how the Ketchikan school district could be running the school district at 50% less than it costs to live there. She wondered if the cost to run a school in Ketchikan could be the same as Anchorage.

Mr. McDowall explained that the survey Rep. Davis referred to was done by volunteers for the Chamber of Commerce Committee and was inaccurate. He added that the McDowall group has done the most comprehensive, accurate study done and received national recognition for their work in 1985.

Number 644

Sen. Fischer suggested using the area cost differential when deciding how much a district can give in local monies to make it equitable for all kids in Alaska.

END OF TAPE 1, SIDE B

TAPE 2, SIDE A

Number 000

Rep. Baker addressed the tax cap in Anchorage.

Rep. Cheri Davis stated that many people in the state resent Anchorage's tax cap and unwillingness to contribute additional funds for education.

Number 050

Regarding the Alaska 2000 plan, Mr. McDowall stated that his company recently completed a study for Southeast Conference, where over 200 employers in Southeast Alaska were interviewed regarding their labor force training and education needs. The results were shocking. Over 450 entry-level personnel were lacking in basic skills (process and problem solving, work ethics).

He referred to a program at Ketchikan High School, which has implemented its own competency standards. Through the four years in high school, the programs are geared towards passing the competency tests. Dropout rate is only five percent for Native students.

Number 097

Sen. Fischer asked how the state grant system would fit in if the IUV level is raised.

Dr. Cole felt that the federal government would treat the school grants the same as pupil transportation grants.

(The committee took a break for approximately ten minutes.)

Senator Fischer opened the meeting for public testimony. DON OBERG, President of the National Education Association, Alaska was invited to testify.

Mr. Oberg expressed support for the establishment of the Joint Committee on School Improvement. He explained that NEA is committed to providing the best quality schools in America, and urged the legislature to consider the year-round school concept. There is strong evidence that schools that operate year round are financially responsible, and would decrease the class load and improve the quality of education offered.

Rep. Baker asked if NEA-Alaska had taken a position on the year-round school concept.

Mr. Oberg said yes. He explained that NEA was interested in quality education instead of quantity (longer classes). He also expressed the need for computer technology in the schools.

(With no one else wishing to testify, Senator Fischer recessed the committee at 10:30 a.m. until 1:30 p.m.)

Number 225

Senator Fischer reconvened the meeting at 1:38 p.m., and invited REP. KAY BROWN to address the committee regarding Science and Technology Education.

Rep. Brown explained the education technology proposal and the impact it has had on education. She stated that an infusion of technology in Alaska schools would benefit students, teachers, and society as a whole. Nationally, appropriate assignment of new technologies within effectively organized schools could make a big difference in academic performance. The power of computers are needed in classes to improve performance and prepare students to work in the electronic workplace.

Rep. Brown mentioned that computer technology proposals have been vetoed by two governors (Cowper and Hickel). Governor Cowper felt that it was unconstitutional to fund computers for certain schools. HB 203 and HB 204 is a statewide approach to provide comprehensive computer technology. The approximate cost for software, hardware, training for teachers, and telecommunication access could cost over \$100 million dollars over five years.

Number 334

Rep. Brown discussed the benefits to students. She pointed out that the federal Office of Technology Assessment research has shown that computer instruction is most effective in raising achievement among low-achieving students and that students complete materials faster level. Increases in attendance, motivation, classroom participation and attention span have been reported. The technology is used for three basic things: 1) drill and practice, using the computer as a tool for basic skills such as reading and math. 2) individualized instruction and tutoring; 3) simulations, games and other situations that uses the computer to simulate real life experiences (problem-solving) and data base management. Computers also teach writing skills and business and vocational training.

Number 479

Rep. Brown described HB 203 and HB 204. She stated that the Finance Committee Substitute for HB 203 has proposed to make grants to schools for teacher training, purchase of electronic equipment and materials, and telecommunication access through an Alaska Education Technology Fund. The bill also provides network access for public schools in Alaska through the University of Alaska's computer network. A district, on behalf of a school, would be eligible to apply for a grant awarded by the Educational Technology Grant Committee. The Committee would consist of seven members, appointed by the Governor, to include educators with demonstrative expertise in educational technology. The school would be required to prepare a plan showing how it would use the technology to improve student performance, teacher training and implementation. Before the grant is given, the Department of Education would conduct a statewide grant writing seminar.

Rep. Brown pointed out that the CSHB 204 (Finance) proposes a general obligation bond for education and library technology that would go before the voters in 1992. General funds would be appropriated to cover costs that are not bondable. She felt that the funding amount in the bill was not adequate. The hardware and software would cost approximately \$80 million, with \$20 million needed from the General Fund over the next five years for training. The proposal has received enthusiastic support from the public.

In closing, Rep. Brown supported Commissioner Covey's efforts to establish a statewide education data management system.

Number 588

Rep. Baker wondered what would be the repay schedule on \$100 million dollar bond.

Rep. Brown replied that it could 5 to 10 years. She felt that the technology would be usable for approximately 10 years.

(Rep. Carney left meeting.)

END OF TAPE 2, SIDE A

TAPE 2, SIDE B
Number 000

Rep. Brown emphasized that education technology would also benefit the class-size issue.

Senator Fischer stated that districts are concerned with existing bonding debt. He supported putting all outstanding debts on one G.O. bond issue so that local districts are free of debt.

Number 065

Rep. Johnny Ellis asked where the university teacher training program in terms of education technology.

Rep. Brown pointed out that Jason Ohler, Professor at the University of Alaska-Southeast, has developed a program for teaching people telecommunications. Professors at UAA are underequipped to give teachers the basic competency of computers.

Number 090

Sen. Fischer invited REP. JOHNNY ELLIS to address the committee regarding year-round schools.

Rep. Ellis mentioned that he had discussed the year-round schools concept with Rep. Cheri Davis when they both served on the House HESS Committee. The U.S. compared to other industrialized nations is lower in terms of academic achievement. The evidence is more promising in reconfiguring the time that students spend in school in instruction to improve academic performance. The concept of summer vacation for students, administrators and teachers no longer make sense. Expensive school buildings are left empty, but still must be maintained.

Rep. Ellis explained two approaches that school districts are taking around the country. In the single track system, all students attend schools simultaneously, making vacations shorter and spread out evenly throughout the year. In the multi-track system, students rotate as groups in and out of schools throughout the year, so that one group is always on vacation. Depending on the district, students are divided into two to five groups and attend classes on the basis of 45 days in school and 15 days or vacation. All the plans fill the 180-day requirement for Alaska. There is no statute or regulation that would bar an Alaska school district from trying this concept.

Number 125

Rep. Ellis further explained that the single-track system has fewer pros and cons compared to the multi-track concept. It facilitates the retention of the previous year's lesson due to the shorter vacation period. Children in year-round systems have shown improvement in achievement tests over those in traditional systems.

The multi-track system has more benefits. It is more efficient in using resources because schools are in use year-round. Each school is able to accommodate more students so that new schools do not have to be built. Alaska has probably the most expensive school construction bills in the nation. The cost per student is lower, since supplies can be shared while one track of students is on vacation. The downside to this system lies for families with students split between two schools.

Number 175

In conclusion, Rep. Ellis suggested pilot projects in Alaska to see how the concept would work. He added that the most important consideration, in addition to lowering class-size and year-round use of facilities, is in academic improvement.

Rep. Cheri Davis asked if the Anchorage School District had been contacted regarding incentives, startup costs, etc.

Rep. Ellis replied that he is in the process of contacting school administrators and the Anchorage School Board to see where the problems and incentives lie. He felt that there are teachers who might be receptive to the idea.

Number 235

Rep. Baker mentioned that when he was with the Anchorage School District 10 years ago, year-round schools was discussed and supported by many teachers. He addressed the busing issue, which would redraw the attendance areas and how it would impact elementary schools. New schools will not have to be built, but as student population grows, students will have to be bused. He expressed an interest in the concept.

Rep. Ellis asked if the proposal at that time to have the entire community convert to year-round schooling.

Rep. Baker answered in the affirmative. He was more supportive of the magnet school approach because it would take into account boundary lines.

NUMBER 300

Senator Fischer invited DR. THOMAS O'ROURKE, Superintendent, Anchorage School District to address the committee regarding Alaska 2000 - Anchorage.

Dr. O'Rourke said that he had mixed feelings about the Alaska 2000 project. He said that teachers in Anchorage are close to striking, and the district does not have money to meet their demands. Anchorage has 40% of all students in Alaska, but only gets 30% of the money. There is approximately \$400 million dollars needed for building and repairs. The district had over 2400 kids last year and another 1700 are expected for next year. Special education has gone from 10 to 14 percent of the district's budget, or \$36 million. Anchorage is locally contributing \$61 million, an increase from \$29 million, for education. Only 45 percent of the increase went to schools. The average class-size is 24 for elementary; 25-30 for secondary.

Dr. O'Rourke felt that it is time to rethink education in Anchorage. There is a \$24 million dollar deficit in the FY 93 budget. He shared his trip to Russian schools vs. the U.S. Students in Russia and Japan graduate with two years of calculus, language degrees and are technology literate.

Number 497

Dr. O'Rourke stated that money is needed in order to make the Alaska 2000 plan work. Efforts must be made to reach the bottom four percentile of students who are doing lousy in school. The IUV should be raised to \$66,000. Other areas that need to be addressed: funding renovations, single/dual site districts, early and full funding.

He further stated that teachers should not have the right to strike because kids suffer. Binding arbitration should not be an option either. He felt that there should be a law that would cause a teacher to lose two days pay for every day out striking. The pressure to settle would be great.

Number 601

Rep. Cheri Davis shared her experience as a school teacher and school board member. She expressed support for increased funding for education, but dissatisfaction regarding the Anchorage tax cap. She asked if there has been any discussion among Anchorage educators to approach voters about removing the tax cap.

Dr. O'Rourke explained that a survey was conducted in the Anchorage community by the WISE committee. The majority of responder would give more money for education, but wanted to know where the money would end up, in the classrooms or for administrative services.

END OF TAPE 2, SIDE B

TAPE 3, SIDE A
Number 000

Rep. Cheri Davis asked what the average assessment is for a house in Anchorage.

Dr. O'Rourke replied approximately \$120,000 to \$125,000, or approximately \$2045 in municipal taxes.

Rep. Cheri Davis explained that in Ketchikan many people never completely finished their houses to avoid higher taxes. She added that an average house in Ketchikan is assessed at approximately \$80,000, with a tax of \$1,000. She commended Dr. O'Rourke for his site-based management.

Number 078

Senator Fischer asked if the Anchorage Assembly would pay the construction debt for a new school.

Jr. O'Rourke said that once the bonding issue passed the people, 100% of the money would go directly to the school district from the Assembly.

Rep. Baker added that once the voters approve the construction of a school, the financing cost for construction is outside of the cap.

Number 120

Dr. O'Rourke mentioned that superintendents around the state met in Kodiak and agreed to support the increase in the IUV to \$66,000. He discussed the differences in the educational backgrounds of teachers in American vs. other countries.

Rep. Cheri Davis wondered why standards for teachers cannot be raised.

Dr. O'Rourke thought that would be a good idea, and was hopeful for changes within the university system.

Number 206

Senator Fischer thanked Dr. O'Rourke for his testimony and asked committee members if there was any discussion regarding the legislation listed on the agenda. There was no discussion on these bills.

Senator Fischer stated that the next meeting would be at the call of the chair, and adjourned the meeting at 3:49 p.m.

AGENDA
JOINT COMMITTEE ON SCHOOL IMPROVEMENT
BARROW, ALASKA
DATES: OCTOBER 3 & 4, 1991

THURSDAY, OCTOBER 3

Legislators arrive in Barrow, Ak on MarkAir Flight at 11:40am. Rep MacLean's Legislative Aid Martha I. Ipalook-Falk will be at the Barrow airport to greet and transport Legislators and guest speakers.

Check in to hotel.

Depart Barrow at 1:00pm via Cape Smythe Air for Wainwright & Atkasuk to tour village schools and buildings with North Slope Borough School and City Officials. Return to Barrow at approximately 6:00pm.

**6:30PM BARROW SCHOOL ADVISORY COUNCIL WILL
HOST A BANQUET AND ESKIMO DANCE AT
THE MULTI-PURPOSE BUILDING FOR THE
LEGISLATORS & GUEST SPEAKERS.**

**FRIDAY, OCTOBER 4 NORTH SLOPE BOROUGH
ASSEMBLY CHAMBERS**

10:00AM

- ✓ A. Discussion of Funding for Committee
- ✓ B. Election of Co-Chairs
- ✓ C. Review of Current Legislation

-HB 208--Incentive Grants and Local Participation
(Resides in House-Finance) Sponsor Representative
Johnny Ellis

-HB 326--Teacher Certification (Resides in House-Health

& Social Services) Sponsor Representative Eileen Panigeo MacLean

-SB 130--Teacher Tenure Rights (Resides in Senate-Health & Social Services) Sponsor Senator Al Adams

-SB 139--Early Childhood and Parenting Education (Resides in Senate-Finance) Sponsor Senator Lloyd Jones

-SB 257--Alaska Studies Curriculum; Changes to AS 14.03.120 (Resides in Senate-Health & Social Services) Sponsor Senator Lloyd Jones

100
PM

12:00 - 1:30pm **Lunch Break at Pepe's North of the Border Mexican Restaurant**

D. Review Accomplishments of the Committee (JCSI)

Presentation by Bob Silverman, Department of Education

-Implementation of HB 469 (Ch. 173. SLA. 1990)
 State Education Policy
 Education Planning
 School District Report Card to the Public
 Fund for the Improvement of School Performance

-HCR 4--School Finance and Governance (Passed)

-HCR 6--Special Interagency Coordinating Committee on Schools (Passed)

E. Issues for Committee to Investigate

Presentation by Matt Berman, UofA Institute of Social and Economic Research

-Foundation Funding Formula Study
 Cost of Education
 Growth in major Operating Costs
 Equity of the Foundation Formula

-Governance Systems in Public Schools

JOINT COMMITTEE ON SCHOOL IMPROVEMENT
FEBRUARY 20, 1992
BUTROVICH ROOM

AGENDA

- I. CS FOR HCR 23 - AMENDING THE FORMULA FOR PROVIDING
STATE AID FOR EDUCATION
- II. A REVIEW OF THE ALASKA SCHOOL FOUNDATION PROGRAM
Dwayne Guiley, Director of Educational Finance
and Support Services - Dept. of Education
- III. DISCUSSION OF THE SCHOOL FUNDING STUDY DESIGN
(By Nat Cole, Education Consultant)
- IV. REVIEW OF RECOMMENDATIONS OF THE JOINT COMMITTEE
ON SCHOOL PERFORMANCE
- V. COMMENTS FROM COMMITTEE MEMBERS

SCHOOL FUNDING STUDY DESIGN

By: Nat Cole, Education Consultant

Presented to the Joint Committee on School Improvement
February 20, 1992

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FOUNDATION STUDY OUTLINE-----	4

BACKGROUND:

The third Territorial Legislature of Alaska (1917) created a uniform school system for public elementary and secondary education including a territorial board of education and a commissioner of education appointed by the board. The board was comprised of the Territorial Governor as ex-officio president and the four senior senators, one from each division of the territory and was delegated broad general powers over elementary and secondary education in the territory. Other action taken during the same session provided for incorporated school districts outside incorporated towns, and for the establishment of "districts" in areas outside of incorporated towns, funded 100% by the territory and administered by a locally elected three-member school board. Schools in incorporated towns and incorporated schools outside of incorporated towns, were provided 75% support from the territory up to a maximum of \$15,000.

Rural school boards were abolished in 1932 and the responsibility for all school outside of organized school districts was placed with the Territorial Department of Education.

In 1933, the composition of the Territorial Board of Education was changed to five members appointed by the Governor and confirmed by the Legislature. Reimbursement to school districts had been increased to a maximum of \$40,000 and the percentage reimbursement had been placed on a graduated schedule based on size (under 150 @ 80%, 150-300 @ 75%, and over 300 @ 70%). By 1958, these percentages had been changed to (under 200 @ 85%, 200-500 @ 80% and 75% for over 500) and there was no maximum limit per school district. However, there had been teacher and administrator salary ranges established for three geographical areas, and the Department had been empowered to determine the maximum number of teachers and administrators allowed for the purposes of determining territorial support.

The first State of Alaska public elementary and secondary school funding study was conducted in 1960-61 and took about one year to complete. A team of nationally known education finance and education consultants headed by Dr. Eric Lindman joined with educational, political, governmental and lay citizens of Alaska to conduct the study. Their work resulted in a comprehensive study entitled, "A Foundation for Alaska's Public Schools." The State Legislature addressed the findings of the study in the 1962 session and passed Chapter 164 SLA 1962, which established a foundation program for funding public elementary and secondary education in the city and borough school districts. The foundation program did not apply to the school operated directly by the Alaska State Department of Education.

The foundation program was a significant departure from the previous funding mechanism which simply refunded a portion of each school district's approved expenditures. The new program provided state funds to guarantee a portion of the funds required to meet the "basic need" of each city and borough school district as determined by allocation formulas. There was also a required local tax effort.

The Act defined "basic need" for each school district as the sum of the district's teachers' salary allotment, the ADM and the attendance center allotment. This definition was generally accepted as a mathematical procedure which, when applied to a given school district, would yield the resources necessary to provide an adequate level of educational opportunities for the students.

Formulas based on the ADM in the elementary schools, each secondary school, and the entire school district were established to determine the number of teacher units to be allowed to each district for teachers, assistant principals, principals, assistant superintendent and superintendent. The teachers' salary allotment was determined by applying the State minimum salary schedule to the actual teaching and administrative staff in the district within the determined allocations. The State minimum salary schedule was determined by the Legislature and provided for training, experience and assignment as teacher, assistant principal, principal, assistant superintendent or superintendent. There were three schedules depending on geographical locations in the State to offset higher cost of living.

The ADM allotment was set at \$140 per ADM for the Southeastern Senate District, \$150 for the Southcentral Senate District lying east of 152 degrees West Longitude, and \$160 for the rest of the State. The attendance center allotment provided \$1,000 for each elementary or secondary school that functioned as an independent administrative unit.

The amount of State support was determined by computing the "basic need" (teachers' salary allotment plus ADM allotment plus attendance centers allotment) and subtracting the required local effort. Required effort was determined by an amount equal to the revenue that would be raised by a 3.5 mill levy on the taxable real and personal property within the district and one-half of the P.L. 874 federal receipts from the pre-fiscal year.

The new foundation program went into effect in the 1964-65 school year and remained the basic funding program for the district schools through the 1969-70 school year. During the six years that the first Foundation Act was in effect, it was revised several times. In fact, the first revision, which added a schedule for teacher units for special education

(Chapter 70 SLA 1963), was enacted before the program went into effect. In 1966, kindergarten pupils were allowed to be counted in the ADM allotment for the first time (Chapter 153 SLA 1966). Two kindergarten pupils were to be counted as one elementary pupil. In 1968, the ADM allotment was increased by \$15 in each of the three geographical areas; an additional supplemental allocation was authorized to equalize funding available to small districts and districts lacking in local tax resources; and the base or minimum State salary schedules for teachers and administrators were increased. In 1969, the Foundation Act was changed to eliminate the local effort requirement and State aid was increased to pay all the cost of "basic need".

Chapter 95 SLA 1969 provided for State aid to districts affected by State activities. The Act was patterned after the federal P.L. 81-874 in that State aid was provided to school districts enrolling pupils whose parents and/or guardians worked and/or lived on State property. Fifty percent of the current operating costs per ADM in the prior fiscal year was allowed for each student whose parent or guardian lived and worked on State property, and 25 percent was allowed if the parent or guardian either worked on or lived on State property. The major recipients of funds from this Act were Anchorage, Fairbanks, Juneau and Kenai.

Table 1 on page 4 shows the effect the first foundation funding program had on State and local support for current operating expenses in the district schools.

An analysis of Table 1 indicates that the foundation program resulted in a lower average State support after the initial year until the substitution of State funds for the required local effort in 1969-70. In particular, larger districts, as well as the more wealthy smaller districts, received a smaller percentage of State support than before the passage of the Foundation Act. Since the factors controlling the funding formula and level of State support were all governed by statute (i.e., minimum salary schedules, teacher unit allocations, ADM allocations, building allocations and the appropriation level), the amount of State aid was dependent largely by the availability of State revenue. It should be noted that the years between 1964-65 and 1969-70 school years were years of financial recovery from the 1964 earthquake.

The discovery of large deposits of oil on the North Slope and the nearly one billion dollars oil land lease sales in 1969 brought the State of Alaska the promise of great wealth. This wealth came on the heels of Congressional elimination of P.L. 81-874 payments to State-funded programs and the Alaska Legislature's decision to do away with the equalization factors in the foundation program. These actions, together with the general dissatisfaction with the lower levels of

TABLE 1

SOURCES OF FUNDS FOR SCHOOL OPERATING COSTS 1962-1970

Years	ADM	State \$ Per ADM	Local \$ Per ADM	Fed. \$ Per ADM	Total \$ Per ADM	High	% State Avg.	Low	% Local	% Fed.	Elem. & Sec. % of Total State GF
1962-63	34,511	\$357	\$192	\$ 40	\$ 589	NA	61	NA	33	6	23
1963-64	36,709	394	181	47	622	NA	63	NA	29	8	25
1964-65	42,904	428	183	48	659	100	65	54	28	7	30
1965-66	44,602	434	172	94	700	90	62	31	25	13	27
1966-67	46,170	480	250	100	830	91	58	41	30	12	27
1967-68	52,166	461	238	101	800	85	58	37	29	13	24
1968-69	56,773	526	284	90	900	93*	58	47	32	10	27
1969-70	58,860	713	220	91	1024	91*	70	54	21	9	29

*St. Mary's was a new school district and received 100%.

State financial participation, prompted the State Board, the Department of Education and the Governor to launch a second school finance study, under a grant from the U.S. Office of Education. This second study was designed along much the same lines as the 1962 effort, with a council composed of representatives of the same groups, assisted by school finance consultants who had served on the earlier study. The consultant team was headed by Dr. H. Thomas James, Dean of the School of Education, Stanford University. The main purpose of the study were to:

- a) provide a much higher level of equalized State support for education; and
- b) establish education as a high priority to continue to receive a large portion of the State's wealth, especially the new oil revenues.

The Second School Foundation Plan

The new school funding program differed from the oil program in several ways. First, the teacher and administration unit allotments, the ADM allotment and the building allotment were more or less lumped into a single theoretical concept called an "Instructional Unit" and defined as the sum total of what is needed to provide a standard level of instruction for a group of pupils. Because of the importance of this concept to the funding program, the full legal definition is provided below:

"instructional unit" means the aggregate of all direct and indirect services necessary to provide a standard level of instruction for a group of pupils;

(A) "direct services" include, but are not limited to supplying teacher services, textbooks, reference materials, pupil and teacher supplies, as well utilities and custodial services;

(B) "indirect services" are those auxiliary or supporting functions that complement direct services and include, but are not limited to administration, transportation, food, attendance and activities;

(C) "instructional unit" does not include items of community service, capital outlay or debt service.

The instructional unit concept with its definitions is flexible enough to address large groups, small groups, general education needs, special education needs, density, sparsity, etc. As long as the parameters of an educational program can be described, the program can be placed within the instructional unit structure. The unit value can also be adjusted

for varying cost factors from one geographical area to another. In other words, the instructional unit concept is much more adaptable to program needs and much less constraining as to how and what resources are utilized to address program needs than the earlier system.

A second major difference is found in the way required local effort, which had been repealed by Chapter 95 SLA 1969, was treated. The old approach required a 3.5 mill rate on taxable real and personal property while the new approach was based upon an equalized percentage that took into account the variation in district wealth per pupil when compared to the average per pupil wealth of all districts.

A third difference is that the new program recognized an isolation cost factor which provided an extra five percent on the instructional unit value for any school district which did not have access to Anchorage, Ketchikan, or Fairbanks by road railroad or ferry. While the above differences are significant, perhaps the most important difference to school districts was the fact that the new program would provide much more State aid than the old program.

There was a striking similarity between the allowance for professional workers' schedules in the old program and the instructional unit schedule in the new program. The general meaning of "basic need" did not change, and the determination of "basic need" remained a mathematical process. Area cost differentials remained essentially the same in the new program except that Southeastern and Southcentral were lumped together as the base, and the rest of the State was divided into Central and Northwest with respective differentials of 105 and 110 percent of the base.

The recommendation of the Advisory Council, along with suggested wording for legislation, were incorporated in to Senate Bill 378 and presented to the 1970 legislative session. The bill was enacted as Chapter 238 SLA 1970 after being changed in the Senate, in the House and by the Free Conference Committee composed of members of both Houses. Although several of the changes were cosmetic, the Legislature made three substantial changes in the Advisory Council's recommended wording. These changes dealt with the base value of the instructional unit, separate secondary school computation and equalization.

The Legislature increased the base instructional unit value from \$14,500 to 19,250. This increase of about one-third was triggered by an increase in the minimum salary schedules for teachers and administrators of about 28 percent.

The Advisory Council had recommended that all separate secondary schools with ADM of 301 or more be counted separately when applying the instructional unit formula, which would provide the benefit of the graduated scale to each qualifying separate secondary school. The Legislature removed the ADM limitation allowing each secondary school, regardless of size, to be counted separately.

The equalization factor recommended by the Council was to provide 90 percent of "basic need" as the average State support, with the result that the more wealthy school districts would receive less than the average while the poorer districts would receive more. The legislation established 90 percent as the floor, so that no district, regardless of wealth, would receive less than that percentage of "basic need" from the State.

As the study council had intended, the enactment of the new foundation program resulted in a significant increase in State aid. The average State foundation support per pupil in ADM increased by \$425, or about 71 percent, from \$602 to \$1,027. The increase in state aid per pupil under the new program ranged from \$336 in Anchorage to \$1,116 in Hydaburg. For the 1970-71 school year, the average total expenditure per pupil in ADM increased \$283, from \$1024 to \$1,137, or about 29 percent.

Because the increase in average State per pupil support exceeded the increase in average per pupil expenditure, the balance provided tax relief at the local level. In fact, with increases in State aid, local support dropped \$144 per pupil on a statewide average. The minimal drop in federal support of \$3 per pupil in ADM was due to federal funding changes rather than the new State funding system.

The percentage of increase in per pupil expenditures about equaled the percentage increase in the minimum salary schedule for teachers and administrators, and was only two percent more than the 27 percent actual increase in the average salaries for all professional workers. The writer is reminded of the gambler who was asked how the game went at the end of a poker session. He replied, "Everyone in the game won some, and I broke even." In the case of the new foundation program it appears that taxpayers, teachers and administrators won some while, at best, the students "broke even."

Subsequent Changes in the Foundation Program

During the 1970s, many changes were made in various components of the funding system, but the basic instructional unit structure was not changed. The major changes are listed by component below in general chronological order of occurrence between 1970 and 1980.

1. Equalization: The floor level of State support was gradually increased from 90 percent to 100 percent of "basic need" with the concurrent reduction of required local effort from a maximum 10 percent to elimination of required local effort.
2. Instructional Unit Schedules:
 - a) liberalized vocational education schedule;
 - b) made special education schedule supplementary to the basic schedules for elementary and secondary schools;
 - c) set first quarter entitlement number of instructional units as floor for the district for the year;
 - d) established minimum number of instructional units for elementary and secondary schools (presently 3 for up to 32 elementary ADM and 4 for up to 30 secondary ADM);
 - e) added a schedule for bilingual weighted ADM; and
 - f) reduced the number of additional ADMs required for each additional instructional unit to 1 unit for each 18 ADM over 80 in elementary schools and over 91 in secondary schools.
3. Base Instructional Unit Value gradually increased from \$19,250 in 1970-71 to \$42,450 in 1982-83.
4. Area Differentials: These changes from 5 percent and 10 percent with 5 percent isolation to a range of 100-132 percent of the base unit value by house election district to 100-155 percent of the base unit value by school district.

Other legislative action have implications for and direct effect upon school finance and organization in Alaska includes the establishment in 1972 of an Alaska State operated school system with its own Board of Directors to administer rural and military schools. Subsequent legislation was enacted to provide for contracting base schools in Anchorage, Fairbanks and Kodiak to adjacent school districts and to create 21 Regional Educational Attendance Areas (REAA) school districts with locally elected school boards out of the rural schools and the military schools at Adak and Ft. Greely. Starting with the 1976-77 school year, the REAAs were included in the State foundation funding program.

School finance reviews were conducted in 1976-77, 1979-80 and in 1981-82, dealing primarily with area differentials and equalization. The 1976-77 study resulted in area differential

and some instructional unit schedule changes. The 1979-80 study added an equalization factor guaranteeing that no school district would receive less than the average per pupil local support of all school districts in the prior fiscal year, with 1979 designated as the base year. The instructional unit schedules were changed to count each elementary school separately when determining the number of units.

Table 2 on page 10 summarizes foundation funding support to the city and borough school districts from 1970-71 through 1982-83 and the REAAs from their formation in 1976-77 through 1982-83.

The foundation program in effect in FY 1983 was suspended by the Legislature and replaced by a \$ per ADM allocation to each school district. The allocation was increased by about 4% in FY 1985 and continued with the addition of an incentive to school districts that provided high local effort to its schools as defined in Sec. 3, Chapter 75 SLA 1985 in FY 86. The purpose of the suspension was to give the Alaska Department of Education time to study school districts' needs and develop a new funding program. Although a new funding program was submitted by the Department through the Governor it was not passed by the Legislature. Instead, the Legislature passed SB 408 which contained arbitrary area cost differentials which caused the U.S. Department of Education to reject the State funding program as being equalized for purposes of P.L. 874.

The action taken by the U.S. Department required an additional State appropriation of 9+ million dollars to satisfy the problems caused by SB 408 in FY 1987 and would have resulted in the State not being allowed to take P.L. 874 payments into consideration when distributing State Foundation Aid in future years. Consequently, the Alaska Department of Education contracted with Nat Cole (this writer) to develop a school foundation program that would pass the P.L. 874 test.

The funding program developed by Nat Cole was submitted by the Governor to the 1987 Legislature as HB 126 and SB 119. The only major change to these bills was in the area differentials. A copy of "Cost Differentials Applied To The Alaska Public Elementary and Secondary Funding Program", is included to explain how the differentials were developed. The funding program was enacted as Ch. 91 SLA 1987 and became effective July 1, 1987 for the FY 88 school year.

TABLE 2

STATE FOUNDATION SUPPORT 1970-71 THROUGH 1982-83

Years	C & B ADM	*\$ C & B Foundation	**Foundation \$/ADM	REAA ADM	*\$ REAA Foundation	***Foundation \$/ADM
1970-71	62,407	\$ 64,062.9	\$1,027	---	\$ ---	\$ ---
1971-72	63,793	66,721.0	1,046	---	---	---
1972-73	64,287	69,603.1	1,083	---	---	---
1973-74	66,967	78,124.7	1,167	---	---	---
1974-75	69,398	88,765.8	1,279	---	---	---
1975-76	71,268	111,454.7	1,564	---	---	---
1976-77	71,386	123,798.7	1,734	10,519	\$ 42,335.7	\$ 4,025
1977-78	70,799	135,156.7	1,909	11,062	54,757.6	4,950
1978-79	70,169	149,420.9	2,129	11,042	67,200.8	6,086
1979-80	68,069	161,466.4	2,372	11,035	75,629.5	6,854
1980-81	67,998	193,804.0	2,850	11,181	97,978.4	8,763
1981-82	70,222	239,906.1	3,416	11,628	115,349.1	9,920
1982-83	73,897	288,507.7	3,904	12,897	137,366.3	10,651

*In thousands

**\$ C & B
ADM***\$ REAA
ADM

COST DIFFERENTIALS APPLIED TO THE ALASKA PUBLIC
ELEMENTARY AND SECONDARY FUNDING PROGRAM

(Narrative prepared by Nat Cole under
contract with the Department of Education)

HISTORY:

Cost differentials in public education funding in Alaska date back to early Territorial days. As early as 1920, there were differentials. The first differentials dealt with teacher salary ranges for three geographical areas of the state. Generally the three areas were southeastern as the base, south-central increased five to ten percent over the base, and the northern and western areas of the state ranged from twelve to twenty-five percent over the base. These differentials continued into statehood and were incorporated into both the first and second school foundation funding programs enacted after statehood. It is important to note that these salary differentials applied to the state's share of school support and established a minimum salary level but did not limit the upper level that school districts could pay employees.

In the first foundation program established in 1962, and effective for the 1963-64 school year, certificated salaries and an allocation of professional staff were the major drivers of the funding mechanism. An allotment per pupil in average daily membership (ADM) of \$140, \$150 and \$160, respectively, was also provided in each of the differential areas. The areas were defined by senate election districts with the Southeastern Senate District as base and the Southcentral Senate District lying east of 152 degree west longitude as the five percent and \$150 per ADM differential area, and the rest of the state as the ten percent and \$160 differential area.

The driver of the second school funding program was an instructional unit. The number of units were determined by applying various formulas to groups of students such as elementary, secondary, special education, vocational education, etc. The instructional unit was assigned a base value and adjusted by the five and ten percent differentials. This funding program also recognized an isolation cost factor for school districts not connected to Anchorage, Fairbanks or Ketchikan by road, railroad or ferry. An additional allowance of five percent was made to those school districts who qualified.

The area cost differentials were addressed by the legislature again in the mid-1970's and were changed to range from the base value of the instructional unit at 100% to differentials ranging up to 32.75% over the base value. The differentials adopted for school funding differentials were the same as the differentials being used for state employee pay resulting from a 1972 cost of living study. The study used the House of Representative election districts as geographical subdivisions. The isolation factor where applicable was applied over and above the area differential. By 1976, the schools in the unorganized areas of the state previously operated as a single school district directly by the state, had been divided into twenty-one Regional Educational Attendance Area School Districts governed by locally elected boards of education and funded through the state's formula funding program. Because of this change and for other reasons, the Department of Education entered into discussions with the Center for Northern Educational Research and the Institute of Social and Economic Research of the University of Alaska to do a cost of education differential study. Due to time and financial constraints, such a

study was not conducted. What was done was a compilation of existing studies and other existing information into a weighted composite following the Bureau of Labor weights assigned to budget proportions for an Anchorage intermediate income for a family of four.

Due to a lack of information about many places where school districts existed, the composite index could only be computed for 27 of the 52 school districts. However, there was legislation passed assigning differentials of 1.00-1.55 times the base instructional unit allotment. Whether the new index more accurately reflected the true cost of education differential in Alaska than the one it replaced, is still an unanswered question. There was political tampering with the index before it became law and additional tampering continued until 1983, when the foundation computation approach was suspended for a \$/ADM approach which lasted until SB 408 became law in 1986.

Area differentials in SB 408 have no factual basis. According to one line of thinking they were assigned to adjust for federal P.L. 81-874 payments which in the past had in part substituted for state aid to the Regional Educational attendance Area School Districts under the authority of Section 502 of the Federal P.L. 81-874.

PRESENT STATUS:

Current statute governing public elementary and secondary funding in Alaska has the differentials established in SB 408 and they are being used to distribute aid to school districts for the 1986-87 school year. A new funding bill has been developed and submitted by the Governor to the House and Senate for legislative action. However, the area differentials in the new bill were not derived from a "cost of education study" because no study has been conducted in Alaska. Time and cost constraints are even greater now than there were in 1976-77. Since there is general agreement that area cost differences do exist in Alaska, some consideration must be given to cost differentials in any appropriate public school funding program with an equalization objective. Therefore, when I was faced with the issue in the development of the new funding bill, I cast around for viable proxies to use for the cost of education index.

I reviewed the University of Alaska Cooperative Extension Service quarterly reports on comparative food basket and other items priced at various places throughout the state. I also reviewed the 1976-77 ISERG report discussed earlier, as well as the differentials that were in effect when the foundation formula was suspended in 1983. I took the results of the "Alaska Geographic Differential Study" and the arbitrator's award based on that study conducted by The McDowell Group and Alaska Attitudes, Inc., April 1985, and compared the results with the 1983 differentials, the 1976-77 ISERG work and the June 1986 quarterly Cooperative Extension Service report. I had hoped for some weighted amalgamation, but while all three trended in the same directions, the increments of change were very different. Because of the inherent danger in tampering with data collected and used in research designed for one purpose to accomplish a different purpose and the potential erroneous conclusions that can be drawn from data from studies not designed to meet the objectives at hand, I decided to review the "Alaska Geographic Differential Study" more carefully as a potential proxy for the cost of education index.

On review of the study, I found it to be a more comprehensive study than any others I had seen on Alaska. The number of items and the geographical areas of the state surveyed were much more comprehensive than previous studies. As a result of this more in-depth look at the study, I decided to use it as proxy for the area differentials in the proposed funding program.

This brings us to the situation at hand. The Department of Education has requested that I take another look at the "Alaska Geographic Differential Study" to see if there are areas where changes might be warranted. This I have done and I would wish to make the following observations and comments.

I still find the "Alaska Geographic Differential Study" to be the most recent and comprehensive study available to be used as a proxy for education cost differentials. The study includes many of the items that one would like to see in a cost of education study, although the weighting factors may differ. Retail outlets were surveyed on local costs of goods. Food, clothing, housing, utilities, transportation, medical and personal cost items were included among many other items.

Salaries and benefits account for between a low of about 65% to a high of about 85% of the expenditures in the local school district's budgets. Therefore, it seems reasonable that a cost of living study using random samples drawn from the general population would accurately reflect the cost of education for the 65-85% of personnel costs in the districts. Other items included in the study such as utilities, transportation and fuel reflect other cost items in the school districts' budgets.

If policy makers accept this or any other study as a proxy, they should recognize that results and conclusions should be accepted without tampering or altering in any way, and data should not be manipulated if the school districts within the election district are adequately represented by samples from the same or similar communities in reasonable numbers to reflect each school district's weight in the composite number assigned to the election district.

Some changes were made by the arbitrator in a dispute between the state and the Alaska Public Employees' Association after a comprehensive due process hearing to adjudicate differences between the McDowell et al study and a study conducted by the Association. The arbitrator's findings generally followed the McDowell Group, but some election districts were divided into sub-areas with different indices. The arbitrator's report of findings were the differentials used in the Governor's public school funding proposal (SB 119 & HB 126).

There are 55 public school districts in Alaska and 19 election districts (1961 apportionment), some of which were subdivided by the arbitrator for a total of 24 geographical areas. Therefore, there have to be multiple school districts in some election districts. Additionally, there are multiple school sites called ("funding communities" for the purposes of the Governor's funding proposal) in some of the school districts. Because the differentials were assigned by election districts, funding communities may not have been represented or may have been under-represented in the 24 geographical area average cost indices assigned by the arbitrator. While it is not statistically defensible to assign different differentials to these districts under the scope of the study, it is possible to make some

logical determination about unique characteristics of the districts. In order to proceed, one needs to group all the school districts into those that are adequately represented (Represented) and those districts under or unrepresented (Nonrepresented) by data in the study. The groups are identified in Attachment A with the nonrepresented districts further divided into single funding community districts and multiple funding community districts.

An analysis of Attachment A shows the nonrepresented school districts in single funding communities, i.e. Hydaburg, to be some distance from the main thoroughfare(s) in the election district. In other words, these districts are remote from the represented school districts in the same election district or designated area in the arbitrator's award. Nonrepresented school districts with multiple funding communities are characterized by the majority, if not all, of their funding communities being remote within the election district or defined area. Additionally, the multiple funding community school districts are also scattered over large geographical areas. Logically one can argue that additional cost factors accrue to these remote and scattered school districts over and above the cost differentials assigned to the election district or area in which they are located.

Among the additional cost factors these districts face are increased communications, travel, shipping, etc. Additionally, dispersed districts have increased school board and administrative travel costs as well as intra-district delivery and communications costs.

RECOMMENDATIONS:

1. Based on my general knowledge of school operation costs and without the benefit of specific supporting data, I recommend that the non-represented single funding community school districts receive an additional three percent (3%) cost differential over and above their respective election district or area differential awarded by the arbitrator.
2. School districts that have funding communities scattered over large geographical areas that are either a distance of 40 or more miles away from the largest funding community or a funding community of over 500 ADM or are not connected to other funding communities by a year-round surface road should receive at least a three percent (3%) differential and more than three percent (3%) if the district has a dispersion factor of more than three percent as computed below.

My recommendation for the dispersed school district is that each such district receive the product of a scatter factor multiplied by a student ratio times six percent (6%).

$$\text{Scatter Factor} = \frac{\text{number of isolated funding communities}}{\text{total number of funding communities}}$$

$$\text{Student Ratio} = \frac{\text{number students in isolated funding communities}}{\text{total number of students in district}}$$

(Student ratio must exceed 20%)

$$\text{Scatter Factor} \times \text{Student Ratio} \times 6\% = \text{dispersion factor}$$

The percentages for each of the nonrepresented school districts are shown in Attachment A. Attachment B shows the original and revised area cost differentials. The cost analysis of the recommended changes to the differentials are contained in the data packet dated March 30, 1987, prepared and distributed by the Department of Education.

	BQ	BR	BS	BT	BV
	SCHOOL DISTRICT	REPRESENTED	NOT REP. SINGLE FUNDING COMM.	NOT REP. MULTIPLE FUNDING COMM.	NON-REP. DISTRICTS % INCREASE
9	ADAK	X			
10	ALASKA GTWY			X	3
11	ALEUTIAN			X	4
12	ANCHORAGE	X			
13	ANNETTE		X		
14	BERING ST.			X	
15	BRISTOL BAY	X			
16	CHATAM			X	
17	CHUGACH			X	
18	COPPER RIVER			X	
19	CORDOVA	X			
20	CRAIG		X		3
21	DELTA GR	X			
22	DILLINGHAM	X			
23	FAIRBANKS	X			
24	GALENA	X			
25	HAINES	X			
26	HOONAH		X		
27	HYDABURG		X		
28	IDITAROD			X	
29	JUNEAU	X			
30	KAKE		X		
31	KASHU		X		
32	KENAI	X			
33	KETCHIKAN	X			
34	KING COVE	X			
35	KLAWOCK		X		3
36	KODIAK	X			
37	KUSPUK			X	3
38	LAKE & PENI			X	4
39	LOWER KUSK			X	4
40	LOWER YK			X	5
41	MAT-SU	X			
42	NENANA	X			
43	NOME	X			
44	NORTH SLOPE			X	
45	NW ARCTIC			X	
46	PELICAN		X		
47	PETERSBURG	X			
48	PRIBILOF			X	
49	RAILBELT			X	
50	SAND POINT	X			
51	SITKA	X			
52	SKAGWAY	X			
53	SOUTHEAST IS			X	4
54	SOUTHWEST			X	4
55	ST MARYS	X			
56	TANANA	X			
57	UNALASKA	X			
58	VALDEZ	X			
59	WRANGELL	X			
60	YAKUTAT		X		3
61	YUKON FLATS			X	4
62	YUKON-KOYUKUK			X	4
	YUPIIT			X	3

SCHOOL DISTRICT	AREA CST DIFFERENTIAL IN HB126/SB 119	RECOMMENDED CHANGE %	ADJUSTED AREA CST DIFF CH 91 SLA 1987
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ADAK	1.24	3	1.27
ALASKA GATEWAY	1.15	4	1.19
ALEUTIAN REGION	1.31		1.31
ANCHORAGE	1.00		1.00
ANNETTE ISLAND	1.00	3	1.03
BERING STRAIT	1.34	5	1.39
BRISTOL BAY	1.27		1.27
CHATHAM	1.00	3	1.03
CHUGACH	1.11	3	1.14
COPPER RIVER	1.11	3	1.14
CORDOVA	1.11		1.11
CRAIG	1.00	3	1.03
DELTA GREASE	1.16		1.16
DILLINGHAM	1.27		1.27
FAIRBANKS	1.04		1.04
GALENA	1.30		1.30 ATTACHMENT B
HAINES	1.05		1.05
HOONAH	1.05	3	1.08
HYDABURG	1.00	3	1.03
IDITAROD	1.30	3	1.33
JUNEAU	1.00		1.00
KAKE	1.00	3	1.03
KASHUNAMIUT	1.30	3	1.33
KENAI	1.00		1.00
KETCHIKAN	1.00		1.00
KING COVE	1.27		1.27
KLAMOCK	1.00	3	1.03
KODIAK	1.09		1.09
KUSPUK	1.30	3	1.33
LAKE & PENINSUL	1.27	4	1.31
LOWER KUSKOKWIM	1.38	4	1.42
LOWER YUKON	1.30	5	1.35
MAT-SU	1.00		1.00
NENANA	1.20		1.20
NOME	1.34		1.34
NORTH SLOPE	1.42	3	1.45
NORTHWEST ARCTI	1.42	3	1.45
PELICAN	1.05	3	1.08
PETERSBURG	1.00		1.00
PRIBILOF	1.27	3	1.30
RAILBELT	1.20	3	1.23
SAND POINT	1.27		1.27
SITKA	1.00		1.00
SKAGWAY	1.05		1.05
SOUTHEAST ISLAN	1.00	4	1.04
SOUTHWEST REGIO	1.27	4	1.31
ST. MARY'S	1.30		1.30
TANANA	1.30		1.30
UNALASKA	1.27		1.27
VALDEZ	1.11		1.11
WRANGELL	1.00		1.00
YAKUTAT	1.05	3	1.08
YUKON-DELTA	1.42	4	1.45
YUKON-KOYUKUK	1.30	4	1.34
YUPIIT	1.38	3	1.41

COMPONENTS OF THE PRESENT FOUNDATION FUNDING PROGRAM

The present funding program is driven by instructional units. There are units based on number of students in K-12 grades and additional units for special education, vocational education and bilingual students. Students in special, bilingual and vocational generate units based on the level of program or special needs and these units are in addition to the K-12 units.

The units are generated by funding community and the formulas are applied to each funding community separately. A funding community is a compact group of schools that are within easy commuting distance of one another. Juneau School District, Sitka School District and Kake School District are examples of single funding community school districts while Kenai, Bering Straits, and the Southeast Islands are multiple funding communities. The Department of Education has the power to grant funding communities. More funding communities means more money for the same number of students.

When a school district determines and the Department confirms the number of instructional units to which it is entitled, the "Basic Need" is determined by multiplying the total number of units by the area differential to get the adjusted units and the adjusted units are multiplied by \$60,000 to get "Basic Need".

The amount of State Foundation aid is determined by subtracting the property valuation of the school district's municipality in the second prior year times 4 mills or 35 % of the prior year's "Basic Need" whichever is less and 90% of the eligible P.L. 874 from the prior year from "Basic Need".

The formula for determining K-12 units is weighted heavier for fewer students in average daily membership (ADM) with 10 or fewer ADM per funding community receiving 2 units and gradually increasing the number of ADM for each additional unit or fraction of a unit by increasing the divisor until there are at least 200 K-6 ADM and at least 200 ADM in grades 7-12. When the ADM exceeds 200 in K-6 and 7-12 grades there is a different formula applied to each grade range with grades 7-12 receiving 18 units plus 1/13th of a unit for each ADM over 200, and K-6 grades receiving 15 plus 1/17th of a unit per ADM over 200.

To be eligible to deduct P.L. 874 from "Basic Need" the State's funding program must pass a disparity test which allows 25% variance in \$/unit between the 5th and 95th percentile school districts. Because of this Federal

requirement, local school districts are limited to the greater of 6 mills times their property valuation or 23% over the instructional unit value times the number of instructional units in local dollars that they may contribute to school operations.

In summary, the important components of the present funding program are:

- (1) Number of instructional units
- (2) The base instructional unit value
- (3) The area cost differential
- (4) Equalization (4 mills or 35% and P.L. 874 deduction)
- (5) The formulas which determine the number of instructional units
- (6) The number of funding communities.

FOUNDATION STUDY OUTLINE

PHASE I: Committee appointment & staff selection.

TIME FRAME: June 1-30, 1992

ESTIMATED COST:-----\$1,000.00

PHASE II: Consultants identify and analyze issues to send to Worker Committee members to stimulate more issues and expedite Committee input.

TIME FRAME: July 1-Aug. 15, 1992

ESTIMATED COST:-----\$15,000.00

PHASE III: Consultants meet with Working Committee members for group discussions, brain storming additional issues and to develop committee recommendations to be reported by a spokesperson selected by each committee, to the Steering Committee in phase IV. Provide for two 1.5 hour periods for public comments. Steering Committee members encouraged to attend and participate in one or more Working Committee sessions. Cost estimates do not include Steering Committee attendance expense.

TIME FRAME: Three days during week of Sept. 14-18, 1992

ESTIMATED COST:-----\$17,500.00

Note: Cost estimate assume meeting in Juneau with minimal travel expense

PHASE IV: Committee reports to Steering Committee. Steering Committee response and direction to consultants. Two 1.5 hour public forum opportunities.

TIME FRAME: Two days during the week of Sept. 28-Oct 2, 1992

ESTIMATED COST: -----\$15,000.00

PHASE V: Consultants develop formulas, design funding program and prepare draft report including suggested wording for legislation.

TIME FRAME: Oct. 5-31, 1992

ESTIMATED COST:-----\$40,000.00

PHASE VI: Draft report sent to working committee members for written response and suggested changes.
Draft report sent to Steering Committee members to review for meeting in phase VII.

TIME FRAME: Nov. 1-15, 1992

ESTIMATED COST:-----\$ 1,500.00

PHASE VII. Steering Committee's final meeting to review draft and given final directions to the consultants.

TIME FRAME: Two days during week of Nov. 16-20, 1992

ESTIMATED COST:-----\$15,000.00

PHASE VIII: Consultants prepare final funding formulas and report with suggested legislative wording.
Report printing and distribution.

TIME FRAME: November 20-Dec. 6, 1992

ESTIMATED COST:-----\$15,000.00

PHASE IX: Coordinate with Alaska 2000 for possible joint legislation with the Governor???

TIME FRAME: Dec. 7-31, 1992

ESTIMATED COST:-----\$ 5,000.00

SUB-TOTAL ESTIMATED COST:-----\$125,000.00

ADM ASST & MISC. COST:-----\$ 25,000.00

TOTAL ESTIMATED COST:-----\$150,000.00

NOTE: NO CONSIDERATION HAS BEEN GIVEN TO AREA COST DIFFERENTIALS IN THE ABOVE ESTIMATES. DIFFERENTIAL ANALYSIS WOULD BE VERY COSTLY IF DONE CORRECTLY AND THOROUGHLY. THE MCDOWELL-COLE REPORT (NOV. 1988) SUGGESTED THAT THERE SHOULD BE MANY FEWER DIFFERENTIALS COVERING GEOGRAPHICAL AREAS OF THE STATE THAT INCLUDE MULTIPLE SCHOOL DISTRICTS. A LIMITED STUDY DEALING WITH ONLY NONPERSONNEL COSTS THAT ACCOUNT FOR MOST OF VARIATION IN COST OTHER THAN SALARY AND BENEFITS COULD BE CONDUCTED FOR A COST OF AROUND \$50,000.00.

STEERING COMMITTEE

Members, Joint Committee on School Improvement
House Finance
Senate Finance
Chair, State Board of Education
Commissoner of State Department of Education
President, School Board Association
President, Council of School Administrators
President, NEA Alaska
Governor's Office
Representative of the State Parent's Association
Organized Labor
Business
Industry

STAFF	FULL TIME	CONTRACT
Adm. Assist.	X	
Writing Specialist		X
School Fin. & Acct. Spec.		X
Educ. Program & Facilities Spec.		X
Student Services Specialist		X
Evaluation Specialist		X

WORKING COMMITTEES

<u>COMMITTEE</u>	<u>COMPOSITION</u>
Student Outcomes Skills & Competencies (9)	Business Industry Organized Labor Labor Dept. Government (St., Fed. & Local) AK DOE(2)
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Program & Facilities (9)	AK DOE (2) Sch. Dist. Adm. (3) Teachers (3) AK DOT-PF
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Finance & Records (7)	AK DOE Sch. Dist. Adm. (2) Teacher Audit Firms (2) Leg. Bud. & Audit
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Student Services (5)	University Sch. Dist. Stu. Serv. Sch. Psychologist AK DOE Dept. H&SS
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Evaluation (5)	AK DOE Sch. Dist. Eval. Teacher (2) University